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Thank you for this opportunity to share with you today the experiences of CEE in promoting electric and gas high efficiency products and programs for all the resource benefits greater efficiency brings to consumers, utilities and society. CEE and its members wish to contribute their experience from our electric and gas efficiency program perspective to your consideration of developing a brand for promoting water saving products. As you are aware, our energy efficiency program industry has worked and continues to work closely with EPA and DOE on the development and promotion of the ENERGY STAR brand. Perhaps our experience can provide a roadmap for our counterparts in the water utility industry.

Today I hope to provide you with a little history of CEE and our model of promoting high efficiency products using the ENERGY STAR brand, our commitment to promote water efficiency and support for water utilities and lastly how and why the ENERGY STAR brand works for the electric and gas efficiency programs.

Founded in 1991, CEE is the only national organization for all ratepayer-funded energy efficiency program administrators. CEE's members include virtually all such administrators as well as public stakeholders involved with energy-efficiency programming. These include electric and gas utilities, statewide and regional energy-efficiency program administrators, environmental groups, research organizations and state energy offices. We now have 70 members in 21 states and Canada including over 50 efficiency program administrators. Our members in total administer over a billion dollars a year in energy efficiency programs.

EPA can take pride in this success. EPA worked with the founders of CEE to encourage our formation and when we became operational in 1993, provided seed money to help sustain us when we were just a handful of pioneers exploring the Consortium approach. This strong financial support (from both EPA and DOE) provided financial stability while the organization built the membership support. Today our membership provides almost a million dollars a year toward the efforts of 14 staff to support our growing portfolio of programs and services. In addition, we now compete successfully for programmatic grants from the EPA Office of Atmospheric Pollution Prevention Division and the Department of Energy.

CEE is a nonprofit public benefits corporation. Our core product is developing national initiatives to promote the manufacture and purchase of energy-efficient products and services. However, CEE does not implement its national programs. Instead we rely on the voluntary adoption of our program templates, typically in the form of an efficiency specification, by our members in the programs they operate around the country. This is the magic and power of the CEE model for local ratepayer efficiency programs. Acting independently within their own jurisdictions they increase their effectiveness through mutual alignment. The consistency necessary to affect national markets is achieved through the consensus building processes of CEE. So many energy-using product and service markets are national, that the only way for local (utility- or state-based) efficiency programs to impact these much larger markets is through a consist voice on what levels of efficiency they are promoting. Changing national markets is now a widely supported objective of local efficiency programs. There may well be parallels for affecting water efficient product markets.

It has taken many years to develop, test and prove this model of virtual national initiatives. A description of CEE's Initiative Development process is contained in the pocket of our 2002 Annual Report which we are providing today and can also be found on our web site, www.cee1.org. One of the parameters that I believe is critical to its success is the voluntary nature of the coordination achieved across the myriad of locally run programs. Being in Washington, we may forget that that the billion dollars plus spent to promote energy efficiency must be justified to state-level policymakers or utility regulators. This local accountability for the results of these program funds means that retaining control and delivering benefits to the contributing local constituents will always be paramount. Achieving national coordination to affect national markets within this framework is daunting. CEE is the only organization that has been able to achieve this coordination for energy efficiency programs. It was not an overnight phenomenon. It has taken many years to establish the value of this model and we are continually challenged to redefine the value proposition for the participating members as their specific programmatic needs change. In spite of the reinforcement of our track record, it has taken a long term commitment that is on-going on the part of sponsoring members and the Atmospheric Pollution Prevention Division to maintain this model of voluntary coordination at a national scale for utilities that must work locally.

A second critical aspect of the success of this model is the long history and state policy support for ratepayer supported efficiency programs to promote high efficiency products

and services. Without this policy support, there would be no CEE national initiatives. It is this support by the utility programs in the various states that gives power to the CEE specifications of high efficiency. Sometimes it is all too easy to forget the obvious. But CEE specifications of high efficiency for household appliances, furnaces, and air conditioners; commercial air conditioners, refrigeration, and clothes washers; as well as industrial motors and transformers would be mere platitudes without the program support for their levels of efficiency.

It was not always this way for energy efficiency programs. I am old enough to remember when each program established its own efficiency criteria for its particular program. These programs were able to bribe customers to purchase specific existing models which met the unique criteria but were generally ignored by national manufacturers who determined supply of efficient models. As a result of the Super Efficient Refrigerator Program and through years of working together at CEE, programs learned that their differences were not as important as being able to influence a change to higher efficiency across a whole market. Reaching the level of voluntary participation in CEE-developed consensus specifications that would be effective in national markets took many years of meetings, endless discussions as well as fortuitous market events. These programs' contributions to building the ENERGY STAR brand were built on the back of years of institution building and early proofs of concept programs. Again, I suspect there may be parallels to water efficiency promotion.

CEE also has some experience with water efficiency and working collaboratively with water utilities. Some of our members are also the local water utility such as the Los Angeles Department of Water and Power or are sister agencies of the same jurisdiction. In addition, CEE has provided the high efficiency specification for clothes washers which since 1993 has addressed both water and energy efficiency. The CEE clothes washer specification addresses water use directly not just through the energy factor. Our Board of Directors has always recognized that their public service duty extended to water resources as well as energy and air. Indeed, it is the CEE specifications of high efficiency that are adopted by water utilities over the ENERGY STAR specifications for clothes washers because of this direct approach not available to ENERGY STAR. For many years now, this has led to joint promotion of CEE qualifying ENERGY STAR washers by water, electric and gas utilities particularly in the West. By working together, these utilities leverage each others' marketing dollars to achieve a better result. CEE is proud to contribute the high efficiency specifications for water and energy to achieve this outcome.

I would be remiss if I did not address what lessons we have taken from our ENERGY STAR experience that might be applicable to water utilities desiring to promote water efficient products and services.

Let me begin by stating that energy efficiency programs view the ENERGY STAR program as a marketing platform for their own programs more than a program or brand that they endorse. That is, energy efficiency programs must maintain an independence to pursue their stakeholders' best interests and defend those results before regulators or

policymakers at the state level. For instance, many program administrators often desire to promote higher efficiency levels than the minimum endorsed by ENERGY STAR. Nevertheless, the power of a national brand for energy efficiency is very compelling. Energy efficiency programs have come to embrace the leveraged marketing power of national partners provided by the ENERGY STAR brand. Our members get more out of their marketing budgets by leveraging the marketing efforts of other ENERGY STAR Partners participating in the program.

Because of this tremendous value, energy efficiency programs support the ENERGY STAR brand and have contributed their own hundreds of millions of dollars to build the brand through their programs. Interestingly, members recognized early on that alone even their hundreds of millions of dollars might not be enough to establish a national brand for energy efficiency. That is why the partnership aspect of the ENERGY STAR brand works so well for energy efficiency programs. And, recently CEE's Board of Directors took on the challenge to explore how to extend the value of the brand to their commercial programs from the investment made and value developed in the mass markets of primarily residential products. I am happy to report that by working closely with the Buildings Program of ENERGY STAR we have identified linkages that will be built between energy efficiency programs and the national program that will help leverage each others' efforts for mutual benefit.

And as I mentioned above, energy efficiency programs were able to embrace the ENERGY STAR brand because of their previous experience working together on voluntary national initiatives. Efficiency programs are inherently local and working together to change national markets for higher efficiency is a recent phenomena. Other national "environmental" brands have failed without the support of local promotion. Getting local utility programs to work together may be a prerequisite for a successful national program, especially a brand, which requires tremendous ongoing marketing support.

Another observation about the success of the ENERGY STAR brand for promoting high efficiency products is the coincidence of interests between manufacturers and efficiency programs in the area of product performance. Efficiency programs are willing to promote, often with financial incentives, models incorporating higher efficiency. Typically these features cost more and are found most frequently on the higher end of the product line of most manufacturers. The ENERGY STAR brand has brought leveraged resources to bear on the value proposition of these models. For consumers, the value from these higher performing products is a combination of their efficiency and their performance. This has worked well with manufacturers who typically can make more money on these higher value models and with efficiency programs who receive more energy savings with these higher performing models. This coincidence of features works with the brand and the coincidence of interests. Therefore, it is important that customer satisfaction with qualifying models extends beyond the energy efficiency or the value and continuation of the brand is jeopardized. It wasn't until higher performance was recognized by the consumer that energy efficiency became a feature that national manufacturers embraced and competed upon.

Lastly, having a national brand for energy efficiency hasn't reduced the work necessary to support the efficiency programs use of the brand. The more product and service categories, the more issues raised for maintaining the brand. The more successful the brand, the more effort needed to work together to define the next generation of qualifying products. The more stakeholders involved in the brand, the more important developing a consensus position for the efficiency program stakeholders. Brands are constantly evolving and efficiency programs have a lot invested in the ENERGY STAR brand and thus in its evolution to insure that the brand's management continues to meet their needs. All of this takes coordination, independence and work.

The lessons I draw from this experience of the energy efficiency program industry with ENERGY STAR are:

1. It is beneficial to have an established programmatic basis from which the benefits of a national brand can be leveraged.
2. It is valuable to have a successful history of working together in national programs upon which to build.
3. It takes a lot of investment to establish and maintain a national brand.
4. You need products that provide greater customer value than just efficiency.

I strongly suspect that there are a lot of parallels for water efficiency promotion through a national brand and would be happy to further share our experiences at CEE in energy (and some water) efficiency promotion.